



Lygend Resources & Technology Co., Ltd.

宁波力勤资源科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2245)

Terms of Reference of the Audit Committee of the Board of Directors

Chapter 1 General Provisions

Article 1 In order to strengthen the decision-making function of the board of directors (the “**Board**”) of Lygend Resources & Technology Co., Ltd. (the “**Company**”, together with its consolidated subsidiaries, the “**Group**”), enhance internal supervision and risk control, improve corporate governance structure of the Company and regulate the audit work of the Company, the Company establishes the Audit Committee (the “**Committee**”) and formulates these Terms of Reference in accordance with the Company Law of the People’s Republic of China, the Articles of Association of Lygend Resources & Technology Co., Ltd. (the “**Articles of Association**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and other relevant regulations.

Article 2 The Committee is a special committee under the Board mainly to consider issues relating to external auditors and their appointment, to oversee the Group’s financial reporting system, risk management and internal control system, to review the Group’s financial information and to review the Company’s policies and practices relating to corporate governance. The Committee is accountable to the Board and reports to the Board; the Committee shall cooperate with the Board of Supervisors in audit activities. The members of the Committee shall devote sufficient time and effort to perform duties of the Committee with due care and diligence, so as to effectively supervise external audit of the Company efficiently, to guide internal audit of the Company, and facilitate the Company to establish effective internal control and provide truthful, accurate and complete financial reports. The Company shall provide the necessary working conditions for the Committee and assign special personnel or institutions to undertake the daily work of the Committee, such as liaison, meeting organization, material preparation and file management. The Company’s management and relevant departments shall cooperate with the Committee in the performance of its duties.

Chapter 2 Composition

Article 3 The Committee shall consist of at least three non-executive directors of the Company, with independent non-executive directors being the majority, at least one of whom shall be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

Article 4 Members of the Committee shall be appointed by the Board.

Article 5 The Committee shall have a chairman who shall be an independent non-executive director and shall be responsible for taking charge of the work of the Committee. The chairman of the Committee shall be designated by the Board.

Article 6 A former partner of the Company's current audit firm shall be prohibited from acting as a member of the Committee for a period of two years from the date he or she ceasing to: (1) be a partner of such audit firm; or (2) have any financial interest in such audit firm, whichever is later.

Article 7 The term of office of the Committee shall be the same as that of the Board, eligible for reappointment if re-elected upon expiry of term. If any member ceases to serve as a director of the Company during this period, he/she shall automatically lose his/her qualification as a Committee member.

Chapter 3 Duties and Authorities

Article 8 Main duties and authorities of the Committee include:–

Relationship with the Company's auditor

1. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and to address any issues of resignation or dismissal of the auditor;
2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; the Committee shall discuss with the auditor on the nature and scope of the audit and related reporting obligations before the audit commences;
3. to develop and implement policies on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm, or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee shall report and make recommendations to the Board on any matters where action or improvement is needed;

Reviewing financial information of the Company

4. to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if proposed for publication, quarterly reports, and to review significant financial reporting judgements contained in the statements and reports. In reviewing these statements and reports before submission to the Board, the Committee should focus particularly on:–
 - (1) any changes in accounting policies and practices;
 - (2) matters involving major judgments;

- (3) adequacy of disclosures, consistency of the financial statements and consistency with prior disclosures;
 - (4) significant adjustments resulting from the audit;
 - (5) the going concern assumptions and any qualifications;
 - (6) compliance with accounting standards; and
 - (7) compliance with the Listing Rules and legal requirements in relation to financial reporting.
5. For the purpose of item 4 above:–
- (1) Members of the Committee shall liaise with the Board and senior management. The Committee shall meet with the Company’s auditors at least twice a year; and
 - (2) The Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and shall give due consideration to any matters that have been raised by the Company’s staff responsible for the accounting and financial reporting function, the compliance officer or the auditor.

Oversight of the Company’s financial reporting system, risk management and internal control systems

6. to review the Company’s financial controls and, unless otherwise expressly addressed by a separate risk committee of the Board, or by the Board itself, to review the Company’s risk management and internal control systems;
7. discuss risk management and internal control system with management to ensure that management has performed its duty to establish effective systems. The discussion should include the adequacy of the Company’s resources, staff qualifications and experience, training programmes and budget of the Company’s accounting and financial reporting functions, as well as the adequacy of training programmes received by staff and relevant budget;
8. to consider, on its own initiative or as delegated by the Board, major investigation findings on matters relating to risk management and internal control, and management’s response to those findings;
9. where an internal audit function exists, to ensure co-ordination between the internal and external auditors; and also to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company; and to review and monitor its effectiveness;
10. to review the Group’s financial and accounting policies and practices;
11. to review the external auditor’s management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management’s response;

12. to ensure that the Board will respond in a timely manner to the issues raised in the external auditor's management letter;
13. to act as the key representative for overseeing the relationship between the Company and the external auditor;
14. to make recommendations to the Board for the resolution of any disagreement between management and the external auditor on financial reporting;
15. to discuss issues and qualified opinions arising from the interim review and final audit, and any matters that the external auditor may wish to discuss (in the absence of management where necessary);
16. to ensure that proper arrangements are in place for employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for fair and independent investigation of such matters and for appropriate action by the Company;
17. to report to the Board on the above matters; and
18. to consider other topics as defined by the Board.

Corporate Governance Functions

19. to develop and review the issuer's corporate governance policies and practices and to make recommendations to the Board;
20. to review and monitor training and continuing professional development of directors and senior management;
21. to review and monitor the policies and practices of the issuer in relation to compliance with legal and regulatory requirements;
22. to develop, review and monitor the code of conduct and compliance manual (if any) for employees and directors; and
23. to review the issuer's compliance with the Code of Corporate Governance and the disclosure in the Corporate Governance Report.

Article 9 The Committee shall report regularly to the Board, and its chairman shall report its decisions or recommendations to the Board at the next Board meeting following the Committee's meeting, unless the Committee is prevented from doing so by legal or regulatory restrictions (such as restrictions on disclosure due to regulatory requirements).

Article 10 The Committee is authorized by the Board to act under its terms of reference and may obtain any information it requires from employees of the Company; all employees shall cooperate upon the request of the Committee.

Article 11 The Committee may, at the expense of the Company, engage intermediaries to provide professional advice if it deems necessary to do so.

Article 12 Where the Board disagrees with the Committee's opinion on the selection, appointment, resignation or removal of the external auditor, the Company shall include in the Corporate Governance Report a statement by the Committee setting out its recommendation and the reasons why the Board holds a different opinion.

Article 13 The Committee shall be provided with sufficient resources by the Company to perform its duties.

Chapter 4 Rules of Procedure

Article 14 The meetings of the Committee are comprised of regular meetings and ad hoc meetings, which shall be convened and chaired by the chairman of the Committee. In the event that the convener of the Committee is unable or refuses to perform his duties, a member who is an independent non-executive director shall be appointed to perform such duties on behalf of the chairman.

Article 15 The Committee shall hold regular meetings at least twice a year or as frequently as required by other regulatory provisions applicable to the Company from time to time. The Committee may hold ad hoc meetings as needed. Ad hoc meetings may be convened at the request of two or more members of the Committee or when the convener of the Committee deems necessary. For regular and ad hoc meetings, the chairman of the Committee shall give at least three days' prior notice and send the agenda and all relevant meeting documents to all members in a timely manner.

Article 16 The meetings of the Committee shall be held in the presence of at least two members (including at least one independent non-executive director), each of whom shall have one vote; resolutions made thereat shall be passed by a majority of all members; in the event of an equal number of affirmative and negative votes, the chairman of the Committee shall have the right to cast one more vote.

If any member of the Committee has an interest in the matters to be discussed at the meeting, he/she shall abstain from discussion and voting. If no effective agreement can be formed from discussion due to such abstention, relevant matters shall be considered directly by the Board.

Article 17 The meeting of the Committee may be held on site or by means of communication, and the voting shall be by ballot.

Article 18 Members of the Committee shall attend the meeting in person (including on-site attendance and attendance by means of communication) and express their clear opinions on the matters under consideration. If a member cannot attend the meeting in person for any reason, he or she may submit a power of attorney signed by himself or herself to appoint other members to attend and express their opinions on his or her behalf. The power of attorney shall specify the scope and duration of the authorization. Each member may act as the representative of a maximum of one member. If a member who is an independent non-executive director is unable to attend the meeting in person for any reason, he/she shall appoint another member who is also an independent non-executive director to attend the meeting on his/her behalf.

Article 19 Members of the internal audit department of the Company may attend the meetings of the Committee. When deemed necessary, the Committee may invite financial personnel, other directors, supervisors, senior management, representatives of external auditor institutions, legal advisors and other relevant personnel to attend the meetings of the Committee and provide necessary information.

Article 20 The Committee shall take minutes of its meetings, recording the following contents: date, time, venue, chairperson, attendees, agenda, and voting results of each matter. Complete minutes shall be kept by the duly appointed secretary of the meeting (usually the Company secretary). Draft and final versions of the minutes shall be sent to all members of the Committee within a reasonable period of time after the meeting for the members' comments and records, respectively. The minutes shall record in sufficient detail the matters considered and decisions reached at the meeting, and shall include any doubts raised or objections expressed by the members.

Article 21 The resolutions and voting results of the Committee meetings shall be reported in writing to the Board.

Article 22 All persons attending the meeting shall be obligated to keep the matters discussed thereat confidential and shall not disclose relevant information without authorization.

Article 23 The procedures for convening meetings, the voting methods and the resolutions passed at the meetings of the Committee shall comply with relevant laws and regulations, the Listing Rules, the Articles of Association and these Terms of Reference.

Chapter 5 Supplementary Provisions

Article 24 These Terms of Reference shall take effect as of the date when they are approved by the Board by resolution.

Article 25 Any matters not covered hereunder shall be subject to the provisions of relevant national laws, regulations, other regulatory documents, the Listing Rules and the Articles of Association; if these Terms of Reference are in conflict with the national laws, regulations, other regulatory documents promulgated in the future, or the Listing Rules or the Articles of Association as amended by lawful procedures, the latter shall prevail and amendments to these Terms of Reference shall be made immediately and submitted to the Board for consideration and adoption.

Article 26 The Board shall be responsible for the interpretation of and amendment to these Terms of Reference.

Article 27 The Committee shall disclose its terms of reference, explain its role and the powers delegated by the Board on the website of the Stock Exchange and the website of the Company.

Article 28 These Terms of Reference are written in Chinese, and in case of any discrepancy between the version in any other language and the Chinese version, the Chinese version shall prevail.